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SUBJECT: CODEL PRICE

¶1. (SBU) SUMMARY: House Democracy Assistance Committee Chair David Price (D-North Carolina) led a bipartisan delegation to Paraguay August 19-20. Codel Price conveyed U.S. support for democratic institutions to Paraguay's congressional leadership. The two sets of Congressional representatives discussed Honduras and the U.S. delegation visited both houses of Congress while in session. President Lugo told the delegation that relations with Congress 'aren't always easy,' but are important to the country's consolidation of democracy. Lugo asked the Codel about U.S. experience handling the financial crisis and outlined his anti-poverty, anti-corruption agenda for the delegation. On foreign policy, Lugo assured the delegation that Paraguay was following its own course and wants close relations with the United States. END SUMMARY.

¶2. (U) Codel Price also included Ranking Minority Member David Dreier (R-California), Lois Capps (D-California), Sam Farr (D-California), Lucille Roybal-Allard (D-California), Jim McDermott (D-Washington), Ed Whitfield (R-Kentucky), and Brian Bilbray (R-California). Ambassador and Pol/Econ Chief (notetaker) accompanied the delegation on meetings with Congress and President Lugo.

PARAGUAYAN CONGRESSIONAL LEADERSHIP: WE WANT TO LEARN FROM YOU

¶3. (U) Senate President Senador Miguel Carrizosa welcomed the delegation to Congress for a meeting with congressional leadership August 19. Carrizosa said the United States and Paraguay share visions and expressed interest in sharing experiences given 'all that the United States has achieved.' Lower House President Salyn Buzarquis thanked the USG for its cooperation in Paraguay. He and his colleagues cited the MCC Threshold Program in particular as important for Paraguay's fight against corruption. 'We're a small country,' he said, 'but we have many strengths.' Buzarquis hoped that Codel Price's visit represented U.S. interest in Latin America and

Paraguay.

¶4. (U) Congressman Price affirmed his delegation's interest in helping strengthen Paraguayan institutions. He said Paraguay's 2008 peaceful transition is the mark of a stable democracy and shouldn't be taken lightly. 'Democracy is not just elections,' Price said, emphasizing that what happens between elections is more important and the role of Congress after the elections is key. The U.S. delegation congratulated their counterparts on Paraguay's deal with Brazil on the Itaipu dam and its electricity. Senate Foreign Relations President Miguel Abdon Saguier said Paraguay's relationship with both Brazil and Argentina is "vital". He explained that Paraguay's Itaipu treaty with Brazil and its Yacyreta treaty with Argentina were signed in 1973 by dictators for all three nations and that both treaties were disadvantageous for Paraguay. Saguier said Lula's political will made the new deal with Brazil possible and that Paraguay will now look to renegotiating Yacyreta with Argentina. Saguier lamented that Paraguay's portion of Yacyreta is still not complete after over 35 years, earning it infamy as Paraguay's 'monument to corruption.' Saguier noted the overwhelming support for the Itaipu negotiations from all political sectors, and hoped both the Brazilian and Paraguayan Congresses will quickly approve the deal.

¶5. (U) Carizzosa briefly touched on the situation in Honduras, stating that 'the military cannot remove a democratically president in his pajamas in the middle of night, whether we like him or not.' Saguier noted that there is no unanimity on Honduras in Paraguay's Congress. He said he appreciates the international community's stand, and referred to President Bush's statement (expressed by then-Ambassador Cason) that the United States isn't concerned about whether a country leans left or right as long as it is democratic. He said it is more important that we share values, such as the principles of democracy, human rights, and non-intervention. Saguier called criticism of the United States related to Honduras 'hypocrisy,' saying 'they criticize you for interfering, but demand you interfere in Honduras.'

¶6. (U) Codel Price had the opportunity to address sessions of both the Senate and the Lower House August 20. Lower House President Buzarquis reiterated Paraguay's commitment to representative democracy. He admitted the country's failures (including corruption) but said they won't backslide in their progress. Buzarquis criticized 'destabilizing elements in the region' which close down the media and fail to respect rights. He asserted Paraguay's right to self-determination, coupled with a desire to work together to consolidate democracy. Buzarquis urged his own colleagues to put aside differences 'when our country needs us' and to defend institutionalism. Representatives Price and Roybal-Allard addressed the session, with the latter speaking in Spanish.

Price expressed admiration for Paraguay's handling of its democratic transition and conveyed his appreciation for our countries' enduring friendship. Roybal-Allard noted the delegation's interest in strengthening ties between both institutions and countries. She emphasized that the success of Paraguay's institutions would be critical to the country's success. One deputy asked the delegation to convey his thanks to Representative Engel for introducing legislation (H.R. 1837, which would extend the Andean Trade Preference Act (ATPA) to Paraguay) in the U.S. Congress in April; several others thanked the United States for its historical support and friendship.

17. (U) Representatives Dreier and Roybal-Allard also briefly addressed a tense Senate session on behalf of the delegation just minutes before the Senate's vote on a controversial Supreme Court vacancy. Despite the pressing business at hand, the Senate warmly welcomed the delegation. (NOTE: One senator told Pol/Econ Chief that this was the first time a member of a foreign Congress addressed the Senate from the floor. END NOTE). Senate President Carrizosa underscored that Paraguay prefers trade preferences to assistance. He urged the delegation to support Paraguay by voting in favor of the legislation sponsored by Representative Engel in the U.S. Congress.

LUGO TO PRICE: CONGRESSIONAL RELATIONS NOT ALWAYS EASY

18. (SBU) President Lugo told the delegation August 20 that relations with Congress are 'not always easy' but are important to the country's consolidation of democracy. Price explained that HDAC is engaged in outreach to democracies around the world, focusing on Congressional relations. Price said the challenge is to get executive-legislative branch relations right. Lugo recognized the political parties represented in Congress are a valid democratic instrument, but also noted the emergence of social movements in Paraguayan politics. He said the face of a democracy should be its citizens. Lugo described political parties and social movements as 'two feet' on which Paraguay will walk, but admitted that the debate on the issue had not yet matured. He said political interference in government institutions had been a frequent practice in Paraguay, particularly in the courts. Lugo said several of his Cabinet members with congressional experience were helping him understand Congress. He assured the delegation that he is not afraid of diversity or pluralism, and in his belief that fragile democracies need institutional support.

19. (SBU) Lugo asked Representative Price how the United States handled the financial crisis. Price said that the Bush administration first anticipated the crisis, and while there was some debate in Congress, Republicans and Democrats worked together to avoid an economic collapse. The Obama administration, Price said, had been trying to stimulate the economy with tax

relief and safety nets for states and individuals. Price said the package took six weeks total to pass Congress, which was an exception to the norm. Finance Minister Borda, who joined Lugo for the meeting along with Foreign Minister Lacognata, said that while Paraguay needs to stimulate economic growth, he is reluctant to raise taxes during the financial crisis (even though Paraguay's tax revenues are the lowest in the region). Borda urged the delegation to vote for ATPA benefits for Paraguay, saying 'we need markets.' Dreier agreed that trade is the best way to fight poverty and encourage economic growth and highlighted Peru's nine percent growth leading up to the financial crisis as result of signing an FTA with the United States.

Lugo said Paraguay had never hosted so many international forums as this year, which had helped them understand 'how complex the modern world is and how small we are.'

¶10. (SBU) In response to the delegation's inquiry about his priorities, Lugo and his team cited an anti-poverty agenda centered on economic growth. He also mentioned anti-corruption, recuperation of 'energy sovereignty', improvements in education, health, housing, and judicial and land reform as top goals. Lugo convoked his cabinet for a 6 a.m. meeting to discuss how to reconcile technical and political criteria in the national budget, which his administration was preparing for the first time. With the process fresh on his mind, Lugo complained about Paraguay's rigid budget process and Congress' control over same (mostly as a holdover from the post-Stroessner era, when the intent was to weaken the executive branch). Foreign Minister Lacognata explained that moving Lugo's agenda forward is complicated by the 'high political fragmentation' in Congress. Lacognata told the delegation that the Colorado Party has at least three factions and that the Liberals have four, producing a 'multitude of interlocutors' for the executive branch. Lugo said Paraguayans have high expectations and that he wants his people to trust his government. He said it's an uphill battle for his team: while Congress asked his predecessor to report to Congress only four times in five years, Congress has already asked Lugo's government to report 79 times in one year. On budgetary issues, Lugo reported vetoing 19 laws which would have irresponsibly increased spending (his predecessor vetoed only eight in five years).

¶11. (SBU) With respect to foreign policy, Lugo assured the delegation that Paraguay was following its own course and wants close relations with the United States. He said Paraguay is redirecting its focus on its neighbors and must recover its dignity as a nation. Lugo said Paraguay would not copy any other model, but wants 'friendly relations among equals.' He said Paraguay will talk to the United States, Taiwan, Bolivia, Venezuela, and others while retaining its own identity. Lugo recounted that at the UNASUR

meeting, Lugo
(and not Lula or Bachelet) stopped Chavez from 'talking behind
Uribe's back'
about U.S. use of Colombian military bases. Lugo added that 'Chavez
knows he
has limits in Paraguay' and lamented that regional infighting
undermines
integration efforts. Lugo said he would go to the UNASUR meeting in

Bariloche, Argentina August 27-28 'not as a blind ally, but as a
just defender
looking for balance.' Lugo summed up Paraguay's position by stating
that 'We
want bread- it doesn't matter if it comes from the right or the
left. Our
enemy is poverty ' and we want relations with all.'

¶12. (SBU) COMMENT: Codel Price's visit was a positive first step in

establishing Congress-to-Congress relations. Paraguay's democratic

institutions need support, and Congress is a good place to start,
both because
of need and because Paraguay's Congress warmly welcomes U.S.
assistance. With
these important contacts in place, we hope that our legislative
branch can
build a strong relationship with its Paraguayan counterparts. END
COMMENT.

CODEL PRICE CLEARED THIS MESSAGE.

AYALDE